MINUTES OF THE MEETING

HEALTH SERVICES COUNCIL

DATE: 26 April 2005 **TIME: 3:00 PM**

LOCATION: Health Policy Forum

ATTENDANCE:

Council: Present: Edward F. Almon, Robert L. Bernstein, Joseph V. Centofanti, MD, John W. Flynn, Catherine E. Graziano, RN, Ph.D., Robert S.L. Kinder, MD, Denise Panichas, Robert J. Quigley DC, (Chair), Larry Ross, Reverend David Shire, John Young

Not Present: Victoria Almeida (Vice Chair), Raymond Coia, James Daley, Rosemary Booth Gallogly, Wallace Gernt, Maria R. Gil, John Keimig, Robert Ricci, Robert Whiteside

Staff: Valentina D. Adamova, Michael K. Dexter, Joseph G. Miller

Public: (see attached)

1. Call to Order, Approval of Minutes, Time Extension for the Minutes Availability, Conflict of Interest Forms, and Election of Health Services Council Officers.

The meeting was called to order at 3:00 PM. The Chairman noted that conflict of interest forms are available to any member who may have a potential conflict. The minutes of the 29 March 2005 meeting of the Health Services Council were approved as submitted. The Chairman stated that due to the Open Meetings Act the minutes of the meetings have to be available to the public by the next meeting date or within thirty-five days, whichever is sooner. The Chairman stated that because the next meeting might not occur within thirty-five days or the minutes might not be available, he would ask the Committee members to vote to extend the availability of minutes beyond time frame provided to remain in compliance with the Open Meetings Act. A motion was made, seconded and passed by a vote of eleven in favor and none opposed (11-0) that the availability of the minutes for this meeting be extended beyond the time frame provided for under the Open Meetings Act. Those members voting in favor were: Almon, Bernstein, Centofanti, Flynn, Graziano, Kinder, Quigley, Panichas, Ross, Shire, Young.

The Chairman notified the Health Services Council that Marvin Greenberg has resigned from the Council and read a statement from Mr. Greenberg. Members of the Council thanked Mr. Greenberg for his dedicated service to the Council.

2. General Order of Business

The first item on the agenda was the presentation by John Young, Associate Director, Rhode Island Department of Human Services: Nursing Facility and Hospital Medicaid Reimbursement. Members of the Health Services Council received copies of the Power Point Presentation on Nursing Home Financing and Hospital Financing.

Mr. Young made a presentation to the Health Services Council on Nursing Home Financing and Medicaid reimbursement (See Attached).

Mr. Almon asked if the facilities are being reimbursed at cost, how does the state attract new capital. Mr. Young stated that this is one of the reason there is a moratorium on new nursing homes in the state. He stated that the only way one can create a margin is either to manage the patient mix, get more private pay or Medicare patients, or to lower the expenses by having economies of scale.

Ms Graziano asked if it mandated that the facilities be paid at full costs. Mr. Young stated that the regulations are not that direct and rather encourage and suggest that the rate be adequate to assure access and promote quality. Medicaid is expected to be not only the payor of last resort but to make sure that it is, it has the lowest pay,

the lowest rate. Ms. Graziano asked what happens if Medicaid dollars dry up. Mr. Young stated that this is why in 2002 the rate setting system was updated to more systematically cover costs, so that we weren't also running into the problem of dollar supply. Ms. Graziano asked if there would be any changes in Medicaid base. He answered no because people with disabilities and the elderly, the rules go further and say that if you want to pay for those people in home or community based waiver programs, in fact have to be at an institutional level of care, they would have to be at a level of care that would require nursing home placement. He stated that currently 10%-11% of dollars are for long-term care. The number of Medicaid days in a nursing home falls every year, by about a factor of about 1% per year for the past 6 or 7 years. He stated that the state needs to finance more alternatives.

Mr. Flynn asked as to the difference in Medicaid payor mix between profit and non-profit facilities. Mr. Young stated that there are about 95 facilities licensed in the state, 35 for-profit and 20 to 25 non-profit, and in terms of beds the for-profits account for 2/3 or more of bed supply. The reality of non-profit facilities is that they tend to have a higher staffing ratio, lower Medicaid penetration, higher private pay patient mix and are supported by endowments and private contribution, so they are able to do a number of things that the for-profit facilities can't. Most of the margin that exists for for-profit facilities has been in the Medicare patients.

Mr. Ross asked if because the Fair Rental model, the older facilities might receive an increase, some that are highly leveraged will see a reduction. Mr. Young stated that the way the old cost center ceilings were no one got more than $18.74 for their property. The 3rd phase which kicks in October of 2005 combines all of the cost centers into 'all other operating expense' cost center. Now we recognize all of the costs for direct care. As a result of this there has been a significant reduction of nursing pools.

Ms. Graziano stated that Medicaid doesn't pay for full cost. Mr. Young stated that it has been budgeted to be paying $326 million dollars for Medicaid stays in nursing homes, funding for which is 55% federal and 45% state. The federal portion is declining. The state is headed for 50%/50% matching rate over the next 5 years. Because of the way Medicaid reimbursement is formed, about 20% is paid for by the resident. This is a $500 million market place and Medicaid is about 2/3 of that. $326 million is only a portion of the overall Medicaid budget, which in Rhode Island in this fiscal year is about $1.7 billion. The rest goes to hospitals, managed care, paying for pharmaceutical benefits and variety of other community based services. More people are being serviced each year but for shorter stays. It is an end of life care model. The changes to the reimbursement rate should allow the facilities to operate safely and responsibly. There are facilities that no matter what the changes, will not be around forever. There are a number of older facilities and some smaller facilities that we should be concerned about. 8 years ago there was a nursing home bed

surplus. With some closures over the past year or so, the statewide occupancy is now about 95%-96%. This means that if a large facility had to close, it would not be easy to find placement for all of the residents particularly for those with special needs or requirements. The demographic is aging, and assisted living is not going to fully fulfill everybody's needs.

Mr. Flynn asked a question regarding waiver programs. Mr. Young stated that there is only one waiver program at its authorized capacity to support people at assisted living. All of the other waiver programs are under their caps. Mr. Flynn asked if this was demonstrated to be effective. For community based waiver program, Mr. Young stated that it depends on how effective is classed. He stated that 20-15 years ago they would be cheaper, but he is not sure if they are cheaper now for all people. Overall they are about the same, because we are keeping very sick people at home and providing them with services. It's a better thing to give people a choice and they have a better quality of life. With regards to assisted living facilities, some people would say it is a lower cost alternative to nursing homes. He stated though that it is not the case because it is not budgeted for and unless there is a decrease in nursing home beds, this is an additional expense. He stated that they are lower in cost than nursing home facilities. He noted that they are not a medical model, but a social one and some people might be cared for in assisted living residences but not all. Medicaid is supposed to pay for medical services. If we consider assisted living facilities a social support, note that they are

not medical. Medicaid only pays for medical support component and room and board are separate from that though it is paid for to hospitals and nursing homes.

Mr. Young stated that at some point there are going to be more problems. He stated that the council needs to be anticipating what kind of a response to take. He noted that Medicaid is becoming more and more state funded.

Ms. Graziano stated that society is no longer able to afford the kind of assistance given in the past. She stated that Medicaid spending will be higher in three years than spending on education.

Mr. Young noted that there is not a year-by-year review of the financial status of facilities.

The Chairman requested that Mr. Young continue his presentation on the Hospital Medicaid Reimbursement at the next Health Services Council meeting.

3. Adjournment

There being no further business the meeting was adjourned at 4:15 PM.

Respectfully submitted,

Valentina D. Adamova